



To: Finance Committee  
From: Timothy Sexton, Director of Finance  
Date: November 16, 2010  
Subject: Proposed 2010 Property Tax Levy

### INTRODUCTION

The 2010 Proposed Property Tax Levy for the Village of Lombard is presented for your review and recommendation to the Village Board. The recommendation is summarized on **Attachment A** and is explained in detail in this report. The tax levy has been prepared in accordance with the requirements of the Property Tax Extension Limitation Act (Tax Cap) and the Truth in Taxation Act.

### EAV ASSUMPTIONS

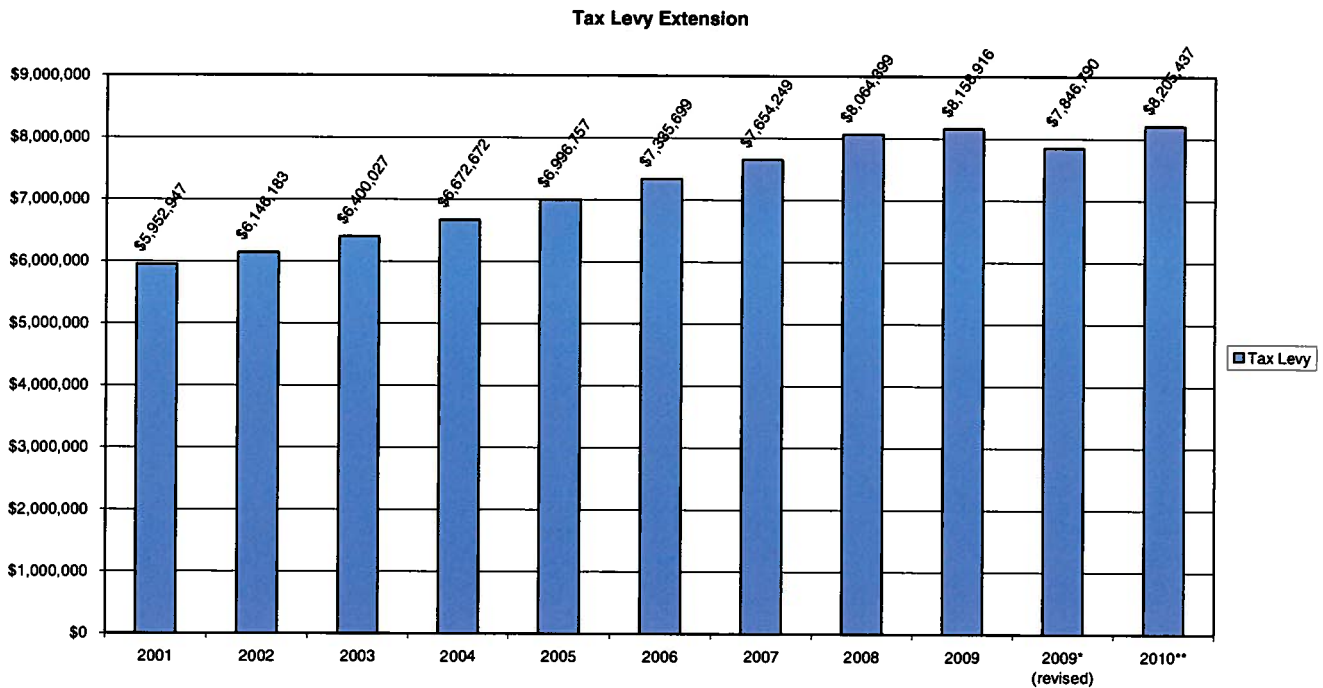
The following is a comparison of the projected 2010 estimated Equalized Assessed Valuation (EAV), including increases in both the base EAV as well as increases due to new construction/annexations for the Village of Lombard, as compared to the 2009 actual EAV.

	2010 Est	2009 Actual	Increase over Prior Year	
			Incr. Over PY	Percent
Base EAV	\$1,625,826,540	\$1,736,937,384	-\$111,110,844	-6.83%
New Construction/ Annexations	\$10,197,990	\$15,030,870	-\$4,832,880	-47.39%
Total	<u>\$1,636,024,530</u>	<u>\$1,751,968,254</u>	<u>-\$115,943,724</u>	<u>-7.09%</u>

**Attachment B** shows a history of EAV growth in the Village over the last ten years. The York Township assessor estimated a 7% decrease to the 2010 base EAV.

**2010 PROPOSED PROPERTY TAX LEVY**

The Village's tax levy is made up of two component areas: the Corporate Levy and Special Levies. The Village has not had a bonded debt tax levy since 1994. For 2010, the total proposed tax levy for the Village of Lombard is \$8,205,437, an increase of \$358,647 or 4.57% over the prior year's extended levy. **Attachment C** compares the 2009 extended levy to the 2010 proposed levy in detail. Below is a ten-year comparison of property tax extensions.



\*\$312,126 was transferred from the Village's aggregate tax extension base when the Plum Library was converted to a Library District

\*\*2010 is the proposed levy amount prior to extension

**SPECIAL LEVIES:**

**POLICE AND FIREFIGHTERS' PENSION FUNDS:**

Since 1992, the Village has used an independent actuary to determine the annual tax levy requirements for both the Police and Firefighters' Pension Funds. The Village's actuary, Mr. Timothy Sharpe, has completed the annual actuarial analysis for the Police and Firefighters' Pension Funds. Copies of the actuarial reports for June 1, 2010 are available upon request.

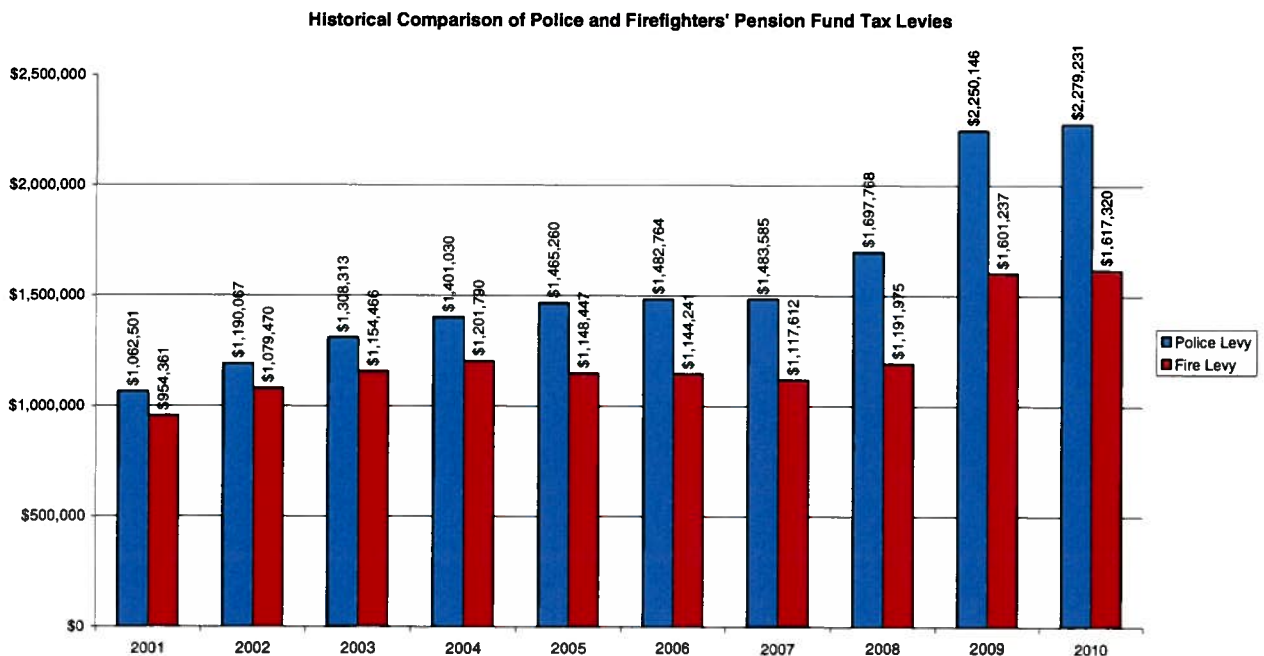
The actuarial analysis indicates that the tax levy requirement for the Police Pension Fund for 2010 is \$2,279,231, an increase of \$15,688 or .69% over the prior year's extended levy. The Police Pension FYE 2010 investments earned 14.17%. However, the fund is still recovering from the FYE 2009 investment losses, which were -12.11% compared with the actuarial assumed rate of return of 7.50%.

The tax levy requirement for the Firefighters' Pension Fund for 2010 is \$1,617,320, an increase of \$5,509 or .34% more than the prior year's extended levy. The Firefighters' Pension FYE 2010 investments earned 12.48%. However, the fund is still recovering from the FYE 2009 losses, which were -9.30% compared with the actuarial assumed rate of return of 7.50%. In addition, there was one disability awarded during FYE 2010. In July 2004, the Illinois legislature passed a new firefighters' pension bill to expand pension benefits for firefighters. Included in this legislation was a provision that exempted from the tax cap any increases in the tax levy due to the new benefits of this legislation. Therefore, of the \$1,617,320 tax levy for the Firefighters' Pension Fund, \$1,458,117 is included in the calculation for the tax cap, and \$159,203 is exempt from the tax cap. This is an increase of \$97,884, or 160%, over last years extended levy of \$61,319.

The Police and Firefighters' Pension Funds will see a net combined increase of \$21,197 or .55% over last year's extended levy. A comparison of the annual requirements for this year and last year is shown on **ATTACHMENT D**.

The annual actuarially determined tax levy requirement for the Police Pension Fund, expressed as a percentage of payroll, decreased from 39.42% for 2009 to 38.86% for 2010. The Firefighters' Pension Fund tax levy requirement, expressed as a percentage of payroll, decreased from 31.58% for 2009 to 30.50% for 2010.

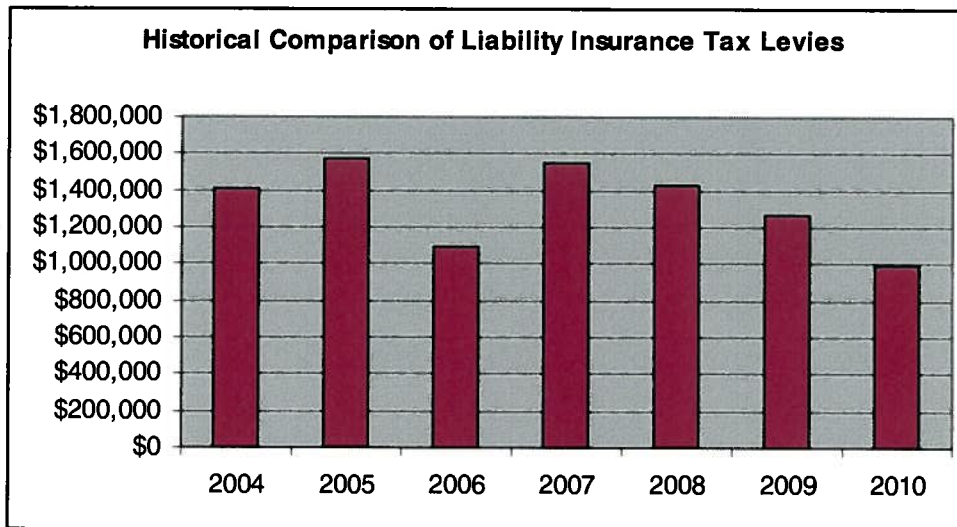
The chart below displays a history of the Police and Firefighters' Pension Fund tax levies over the past ten years. The Village's overall tax levy has increased since 2001 by \$2,252,490 in actual dollars or 37.84% in ten years. As depicted in the chart below, the combined levies for the Police and Firefighters' Pension Funds alone have increased by \$1,879,689 or 93.20% in the same period. The net effect is that 83% of new tax levy dollars over and above the 2001 levels are going to fund the increases in the Police and Firefighters' Pension Fund levies.



**LIABILITY INSURANCE:**

The 2010 Proposed Tax Levy for Liability Insurance is \$996,971, or \$267,950 less than the 2009 levy. The Village has an actuarial study conducted every other year in order to determine the Village's reserve requirements for Liability Insurance. The study performed this year determined the reserve requirements to be \$2,422,288 as of 12/31/11. In addition, the Village's financial policies require that an additional 10% of expenditures, or \$175,102, be maintained to cover additional unanticipated insurance costs or reserve requirements. Therefore, in addition to the actuarially determined reserve requirements of \$2,422,288, an additional \$175,102 should be reserved, bringing the required account balance to \$2,597,390. The levy amount needed to maintain this account balance is \$996,971, which is \$267,950 or 21.18% below last year's levy.

The reason for the decrease in the levy this year is that the Village had low claims in FYE 2010, leading to a higher account balance than anticipated. To put the current year tax levy into perspective, the chart below shows tax levies for 2004-2010.



\*2010 is the proposed levy amount prior to extension

**IMRF/SOCIAL SECURITY:**

**ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF):** The Village's contribution rate, expressed as a percentage of payroll, increased from 10.36% in 2009 to 11.40% in 2010. The Village has received information from IMRF that indicates that the Village's rate for 2011 will increase from 11.40% to 13.48%. In addition, staff has estimated the Village's 2012 rate to be 13.98%. The IMRF costs for next year are estimated at \$751,494, an increase of \$54,754 or 7% over last year's levy for the Village's portion of IMRF. Last year's tax levy also included the Libraries portion of IMRF. The estimated increase in the 2011 rate is the main reason for the increase in IMRF costs.

**SOCIAL SECURITY/MEDICARE:** The 2010 proposed levy for Social Security/Medicare is \$531,722. This is a \$100,176, or 16% decrease under the amount levied last year for the Village's portion. Last year's tax levy also included the Libraries portion of Social Security/Medicare. This decrease is attributed mainly to reduced budgets for regular and overtime salaries.

The contribution rate for the Village expressed as a percentage of payroll is 6.20% for Social Security and 1.45% for Medicare, for a total of 7.65%. This amount, combined with the 13.48% of payroll for IMRF, means that the total pension cost for non-sworn Village personnel, expressed as a percentage of payroll, is 21.13% as compared to 38.86% for sworn Police and 30.50% for sworn Fire personnel. For sworn Police and Fire personnel hired after 1986, the Village also contributes 1.45% for Medicare in addition to the pension costs above.

**Attachment E** shows the historical comparison of IMRF, Social Security and Medicare rates and wage bases since the 2001 tax levy year. Over the last ten years, combined levies for these levies have increased by \$307,857 or 31.56% as compared to the increases in the combined Police and Firefighters' Pension Fund levies of \$1,879,689 or 93.20% over the same period.

#### **PUBLIC BENEFIT:**

State statute provides that the Village can levy to the maximum rate of \$.05/\$100 of EAV for the Public Benefit Fund to pay for a portion of the Village's share of special assessment projects. The amount of this year's Public Benefit levy is \$818,012.

#### **CORPORATE LEVY:**

**General Corporate Levy:** The 2010 proposed General Corporate Levy totals \$1,210,687, an increase of \$744,663 or 60% over last year's extended levy.

There are two major factors resulting in this increase in the Corporate Levy. First, the overall levy increased 4.57% over the prior year, due to the CPI increase of 2.7% and the new growth for the year. Secondly, there is a decrease in the Liability Insurance levy for the reasons previously discussed.

#### **TAX RATES:**

The tax cap limits our base tax levy increase over the prior year's extended levy to 5% or the national CPI as reported for December prior to adoption of the levy. For tax year 2010 the December 2009 national CPI was 2.7%. We also levy for new construction and annexations that are expected to add an additional .6% in 2010. In addition, the fire pension levy that is exempt from the tax cap is increasing by \$97,884. These bring our total increase allowed to 4.57%. This addition for new growth benefits the Village only for the first year it goes on the tax rolls. Next year this amount is rolled into our prior year's extension, which is capped by the CPI increase.

Based on this proposed levy, tax rates for the Village next year are expected to increase from .4622/\$100 of EAV to .4918/\$100 of EAV. As mentioned earlier, the Firefighters' Pension Fund is now allowed to levy for the additional costs associated with the July 2004 fire pension legislation, with these costs being exempt from the tax caps. So in addition to the tax cap levy of .4918/\$100 of EAV, the Firefighters Pension Fund will also levy .0097/\$100 of EAV, making the total Village levy .5015/\$100 of EAV.

For the typical homeowner with a \$300,000 house, the Village's share of the tax bill on that property is expected to increase slightly to approximately \$476.

A ten-year comparison of tax rates can be found in **Attachment F**. As this comparison indicates, the projected 2010 property tax rate for the Village of Lombard of .5015/\$100 of EAV is .0655/\$100 of EAV or 11.55% lower than it was ten years ago.

### **IMPACT OF THE PROPERTY TAX EXTENSION LIMITATION ACT:**

The proposed 2010 Property Tax Levy for the Village of Lombard has been developed in order to comply with the provisions of the Property Tax Extension Limitation Act. An increase due to new growth of .6% has been provided for in the calculations. However, if this new growth estimate or the increase in the current tax base EAV is not realized, it may be necessary to reduce our levy at a later date. Toward the end of March 2011, the DuPage County Clerk will notify us if we are required to reduce our tax levy further as a result of our final extended 2010 tax levy. At that time we will be given the opportunity to decide if we want proportional reductions in all levies or if the reduction (if any) should come from one or more levies as selected by the Village Board. This decision, if necessary, would be made next spring by the Village Board.

### **TRUTH IN TAXATION CALCULATION:**

For purposes of complying with the statutory requirements of the Truth in Taxation Act, we must compare our 2009 Aggregate Extended Levy to our 2010 Proposed Levy. If the amount of the increase in the levy is 5% or greater, a public hearing must be held by the Village Board. The 2009 Aggregate Extended Levy for the Village was \$8,158,916. The 2010 proposed levy for the Village is \$8,205,437, an increase of \$358,647 or 4.57%. Therefore, a public hearing is not required.

The Finance Committee's recommendation on the 2010 Property Tax Levy will be on the agenda for Village Board consideration and approval with waiver of first reading at their December 2, 2009 meeting.

**ATTACHMENT A  
PROPOSED VILLAGE OF LOMBARD PROPERTY TAX LEVY  
TAX YEAR 2010**

2.7% CPI

.6% NEW GROWTH ESTIMATE

<b>ASSUMPTIONS</b>		
AGGREGATE EXTENSION FOR 2009 TAX YEAR (Excl Fire Pension-Exempt from Tax Cap)	VILLAGE	\$7,785,471
	FIRE PENSION-EXEMPT	\$61,319
	<b>TOTAL</b>	<b>\$7,846,790</b>
2010 PROJECTED BASE EAV		<b>\$1,625,826,540</b>
2010 PROJECTED "NEW GROWTH"		<b>\$10,197,990</b>
2010 TOTAL PROJECTED EAV		<b>\$1,636,024,530</b>

<b>2010 PROPOSED LEVIES</b>	<b>AMOUNT</b>	<b>RATE</b>
CORPORATE	1,210,687	0.0740
POLICE PENSION	2,279,231	0.1393
PUBLIC BENEFIT	818,012	0.0500
FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP	1,458,117	0.0891
IMRF	751,494	0.0459
LIABILITY INSURANCE	996,971	0.0609
SOCIAL SECURITY	531,722	0.0325
<b>TOTAL (VILLAGE ONLY)</b>	<b>8,046,234</b>	<b>0.4918</b>
FIREFIGHTERS' PENSION-EXEMPT FROM TAX CAP	159,203	0.0097
<b>TOTAL (VILLAGE ONLY)-INCL ADD'L FIRE LEVY</b>	<b>8,205,437</b>	<b>0.5015</b>

<b>GRAND TOTAL-EXEMPT FROM TAX CAP</b>	<b>159,203</b>	<b>0.0097</b>
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<b>GRAND TOTAL-SUBJECT TO TAX CAP</b>	<b>8,046,234</b>	<b>0.4918</b>
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**TRUTH-IN-TAXATION CALCULATION**

CURRENT YEAR PROPOSED LEVY	8,205,437
PRIOR YEAR EXTENDED LEVY	7,846,790
INCREASE IN LEVY	<u>358,647</u>
PERCENTAGE INCREASE IN LEVY	<u>4.57%</u>

<b>PUBLIC HEARING REQUIRED</b>	<b>NO</b>
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**ATTACHMENT B**

**Historical Comparison of EAV Growth  
2001-2010**

	<b>Base EAV</b>	<b>Inc. over PY</b>	<b>New Construction</b>	<b>% of Base</b>	<b>Annexations</b>	<b>% of Base</b>	<b>Total % of Base</b>	<b>Total EAV</b>	<b>Inc. over PY</b>
<b>Actual 2001</b>	1,032,615,161	5.3%	16,802,620	1.6%	484,760	0.0%	1.7%	1,049,902,541	7.1%
<b>Actual 2002</b>	1,133,736,219	8.0%	15,814,040	1.4%	2,498,990	0.2%	1.6%	1,152,049,249	9.7%
<b>Actual 2003</b>	1,210,390,279	5.1%	14,797,760	1.2%	5,586,440	0.5%	1.7%	1,230,774,479	6.8%
<b>Actual 2004</b>	1,314,201,845	6.8%	21,918,090	1.7%	2,967,450	0.2%	1.9%	1,339,087,385	8.8%
<b>Actual 2005</b>	1,396,561,379	4.3%	15,522,320	1.1%	2,259,590	0.2%	1.3%	1,414,343,289	5.6%
<b>Actual 2006</b>	1,510,622,046	6.8%	18,944,540	1.3%	2,214,480	0.1%	1.4%	1,531,781,067	8.3%
<b>Actual 2007</b>	1,611,611,152	5.2%	29,522,890	1.8%	0	0.0%	1.8%	1,641,134,041	7.1%
<b>Actual 2008</b>	1,747,757,097	6.5%	19,814,840	1.1%	936,560	0.1%	1.2%	1,768,508,497	7.8%
<b>Actual 2009</b>	1,736,937,384	-1.8%	15,652,330	0.9%	-621,460	0.0%	0.9%	1,751,968,254	-0.9%
<b>Estimate 2010</b>	1,625,826,540	-7.2%	10,000,000	0.6%	197,990	0.0%	0.6%	1,636,024,530	-6.6%
<b>Average Inc. Last 5 years (1)</b>		<b>4.2%</b>		<b>1.2%</b>		<b>0.1%</b>	<b>1.3%</b>		<b>5.6%</b>

Note (1) Average includes Actual Years 2005-2009.



**ATTACHMENT C**

**COMPARISON OF 2009 PROPERTY TAX LEVY AS EXTENDED  
VS.  
2010 PROPERTY TAX LEVY AS PROPOSED**

<b>VILLAGE</b>	<b>2009 EXTENDED LEVY</b>		<b>2010 PROPOSED LEVY</b>		<b>INCREASE/ DECREASE</b>	
	<b>RATE</b>	<b>AMOUNT</b>	<b>RATE</b>	<b>AMOUNT</b>	<b>RATE</b>	<b>AMOUNT</b>
<b>CORPORATE</b>	0.0266	466,024	0.0740	1,210,687	178.20%	744,663
<b>POLICE PENSION</b>	0.1292	2,263,543	0.1393	2,279,231	7.83%	15,688
<b>PUBLIC BENEFIT</b>	0.0498	872,480	0.0500	818,012	0.40%	-54,468
<b>FIREFIGHTERS' PENSION-SUBJECT TO TAX CAP</b>	0.0885	1,550,492	0.0891	1,458,117	0.71%	-92,375
<b>IMRF</b>	0.0513	898,760	0.0459	751,494	-10.46%	-147,266
<b>LIABILITY INSURANCE</b>	0.0722	1,264,921	0.0609	996,971	-15.60%	-267,950
<b>SOCIAL SECURITY</b>	0.0446	781,378	0.0325	531,722	-27.13%	-249,656
<b>TOTAL VILLAGE SUBJECT TO TAX CAP</b>	<b>0.4622</b>	<b>8,097,597</b>	<b>0.4918</b>	<b>8,046,234</b>	<b>6.41%</b>	<b>-51,363</b>
<b>FIREFIGHTERS' PENSION-NOT SUBJECT TO TAX CAP</b>	0.0035	61,319	0.0097	159,203	178.03%	97,884
<b>TOTAL VILLAGE LEVY</b>	<b>0.4657</b>	<b>8,158,916</b>	<b>0.5015</b>	<b>8,205,437</b>	<b>7.70%</b>	<b>46,521</b>

**ATTACHMENT D**

**COMPARISON OF ANNUAL TAX LEVY REQUIREMENTS  
FOR POLICE AND FIREFIGHTERS' PENSION FUNDS  
TAX YEAR 2009 vs. 2010**

	<u>A</u>	<u>B</u>	<u>C</u>	
	<u>2009 Extended TAX LEVY</u>	<u>ACTUARY AS OF 6/1/10</u>	<u>INC./(DEC.) OVER 2009</u>	
			<u>AMOUNT</u>	<u>PERCENT</u>
<b>POLICE PENSION FUND</b>	\$2,263,543	\$2,279,231	\$15,688	0.69%
<b>FIREFIGHTERS' PENSION FUND</b>				
Subject to Tax Cap	\$1,550,492	\$1,458,117	(\$92,375)	-5.96%
Exempt from Tax Cap	\$61,319	\$159,203	\$97,884	159.63%
<b>TOTAL FIREFIGHTERS' PENSION FUND</b>	<u>\$1,611,811</u>	<u>\$1,617,320</u>	<u>\$5,509</u>	<u>0.34%</u>
<b>TOTAL</b>	<u>\$3,875,354</u>	<u>\$3,896,551</u>	<u>\$21,197</u>	<u>0.55%</u>

**NOTES:**

- A. Amount levied and extended by the County Clerk for the 2009 Village Tax Levy.
- B. Updated Actuarial Valuations based on membership data and asset information as of 5/31/10. The actuarial assumptions and actuarial cost methods used were the same as used last year.
- C. Increase in 2010 tax levy request over 2009 extended levy.

	<u>2009</u>		<u>2010</u>	
	<u>AS LEVIED</u>	<u>PERCENT OF PAYROLL</u>	<u>AS LEVIED</u>	<u>PERCENT OF PAYROLL</u>
<b><u>POLICE PENSION FUND</u></b>				
Employer's Share of Normal Cost	\$797,774	13.97%	\$829,068	14.13%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	<u>\$1,452,372</u>	<u>25.44%</u>	<u>\$1,450,163</u>	<u>24.72%</u>
<b>Annual Actuarial Requirement as a Percentage of Payroll</b>	<u><b>\$2,250,146</b></u>	<u><b>39.42%</b></u>	<u><b>\$2,279,231</b></u>	<u><b>38.86%</b></u>
<b><u>FIREFIGHTERS' PENSION FUND</u></b>				
Employer's Share of Normal Cost	\$820,476	16.18%	\$844,547	15.93%
Annual Amount Required to Amortize Unfunded Liability over 40 years Subsequent to 7/1/93 as a Level % of Pay	<u>\$780,761</u>	<u>15.40%</u>	<u>\$772,773</u>	<u>14.58%</u>
<b>Annual Actuarial Requirement as a Percentage of Payroll</b>	<u><b>\$1,601,237</b></u>	<u><b>31.58%</b></u>	<u><b>\$1,617,320</b></u>	<u><b>30.50%</b></u>

**ATTACHMENT E  
ANALYSIS OF IMRF FUND  
IMRF/SOCIAL SECURITY/MEDICARE  
RATES, WAGE BASES & TAX LEVIES  
CALENDAR YEARS 2002 - 2011**

<b>IMRF</b>				
<b>CALENDAR YEAR</b>	<b>EMPLOYER'S CONTRIBUTION</b>	<b>EMPLOYEE'S CONTRIBUTION</b>	<b>WAGE BASE</b>	
2002	6.14%	4.50%	NONE	
2003	6.55%	4.50%	NONE	
2004	8.71%	4.50%	NONE	
2005	9.61%	4.50%	NONE	
2006	10.74%	4.50%	NONE	
2007	10.08%	4.50%	NONE	
2008	10.18%	4.50%	NONE	
2009	10.36%	4.50%	NONE	
2010	11.40%	4.50%	NONE	
2011	13.48%	4.50%	NONE	

<b>SOCIAL SECURITY/MEDICARE</b>						
<b>CALENDAR YEAR</b>	<b>EMPLOYER'S CONTRIBUTION</b>	<b>EMPLOYEE'S CONTRIBUTION</b>	<b>WAGE BASE</b>			
			<b>SS</b>	<b>MEDICARE</b>		
2002	7.65%	7.65%	\$84,900	Unlimited		
2003	7.65%	7.65%	\$87,000	Unlimited		
2004	7.65%	7.65%	\$87,900	Unlimited		
2005	7.65%	7.65%	\$90,000	Unlimited		
2006	7.65%	7.65%	\$94,200	Unlimited		
2007	7.65%	7.65%	\$97,500	Unlimited		
2008	7.65%	7.65%	\$102,000	Unlimited		
2009	7.65%	7.65%	\$106,800	Unlimited		
2010	7.65%	7.65%	\$106,800	Unlimited		
2011	7.65%	7.65%	\$106,800	Unlimited		

<b>Property Tax Levies (IMRF, SS &amp; Medicare combined)</b>				
<b>TAX LEVY YEAR</b>	<b>TAX LEVY*</b>	<b>INC./(DEC.) OVER PY</b>		
		<b>AMOUNT</b>	<b>PERCENT</b>	
2001	\$975,359	\$48,999	5.29%	
2002	\$978,072	\$2,713	0.28%	
2003	\$1,076,927	\$98,855	10.11%	
2004	\$1,145,970	\$69,043	6.41%	
2005	\$1,265,837	\$119,867	10.46%	
2006	\$1,396,984	\$131,147	10.36%	
2007	\$1,486,868	\$89,884	6.43%	
2008	\$1,536,834	\$139,850	10.01%	
2009	\$1,668,399	\$181,531	12.21%	
2010	\$1,283,216	-\$253,618	-16.50%	

<b>Total increase</b>		
<b>2001-2010</b>	<b>\$307,857</b>	<b>31.56%</b>
<b>Avg. Annual Inc.</b>	<b>\$30,786</b>	<b>3.16%</b>

\*2001-2009 as extended; 2010 prior to extension

ATTACHMENT F

**VILLAGE OF LOMBARD  
HISTORICAL TAX RATE INFORMATION  
2001-2010**

<b>LEVY YEAR</b>	<b>TOTAL TAX RATE (1)</b>	<b>VILLAGE ONLY</b>	<b>VILLAGE SHARE OF TOTAL</b>
<b>2001</b>	6.3126	0.5670	8.98%
<b>2002</b>	5.9530	0.5335	8.96%
<b>2003</b>	6.3134	0.5200	8.24%
<b>2004</b>	6.1595	0.4983	8.09%
<b>2005</b>	6.1611	0.4947	8.03%
<b>2006</b>	6.0824	0.4789	7.87%
<b>2007</b>	6.0154	0.4664	7.75%
<b>2008</b>	5.8555	0.4560	7.79%
<b>2009</b>	6.0421	0.4657	7.71%
<b>2010</b>	TBD	0.5015	TBD

NOTE (1) This table is based on tax code 6011. There are 30 tax codes in Lombard and each receives a different property tax bill depending on whether the area is included within a given taxing district's boundaries. This tax code was selected as an example only.